

COMMITTEE ON FINANCE

March 20, 2001

Upon Recess of BMA

Mayor Baines called the meeting to order.

The Clerk called the roll. There were thirteen Aldermen present.

Present: Aldermen Wihby, Gatsas, Levasseur, Sysyn, Clancy, Pinard, O'Neil, Lopez, Shea, Vaillancourt, Pariseau, Cashin, Hirschmann

Absent: Alderman Thibault

Messrs.: R. MacKenzie, R. Sherman

Mayor Baines addressed item 3 of the agenda:

3. Resolution:

"Amending the 2001 Community Improvement Program, authorizing and appropriating funds in the amount of Thirteen Thousand Eighty Dollars (\$13,080) for the FY2001 CIP 510601 Park Improvement Program."

"Amending the 2001 Community Improvement Program, authorizing and appropriating funds in the amount of One Hundred Fifty Thousand Dollars for the 2001 CIP 650701 Bond Building Renovation Project."

On motion of Alderman O'Neil, duly seconded by Alderman Shea, it was voted that the Resolution be read by title only, and it was so done.

Deputy Clerk Johnson noted that based on the report of the Committee on CIP earlier this evening the Resolution that is appearing in the committee agenda has been substituted and there is an additional resolution that I will read that was referred to the committee at this time.

Alderman O'Neil moved that the Resolution ought to pass and be enrolled. Alderman Pariseau duly seconded the motion.

Alderman Levasseur asked under what rainbow do we find that pot of gold for the \$150,000 that's going to the Bond Building.

Mayor Baines replied the money is set aside in an account through the Manchester Housing and Redevelopment Authority; that it's money from the sale of AirPark land and was designated by the Board to spur economic development activity.

Alderman Hirschmann asked how much more money do they have.

Mayor Baines replied \$781,000 in total.

Alderman Hirschmann asked do we have access to that as well.

Mayor Baines replied yes we do.

Alderman Levasseur stated I think they have rainbows all over this place because every time we seem to find ourselves in a little rut with money they come up with these little pots of gold.

Mayor Baines stated I've been surprised on occasion as well, Mr. Levasseur, I have to tell you. But, this was actually good news for all of this.

Alderman Levasseur asked what was the request of this \$150,000...I didn't go to the CIP meeting yesterday.

Alderman O'Neil replied just in the period of time it's taken to seal this deal...remember we voted on it in September, the estimates to do the project were probably given in June and July of last year...construction costs continue to rise and if you talk to construction professionals they're seeing a five to eight percent increases on projects. So, that's what's happened it's taken that long to cross "t" and dot "I's" on this project that the cost of it has gone up.

Mayor Baines called for a vote on the motion. There being none opposed, the motion carried.

Mayor Baines addressed item 4 of the agenda:

4. 2001 CIP Budget Authorization:
650701 Bond Building Renovations - Revision #2

Deputy Clerk Johnson noted before the Board acts on this item there was an item distributed to the Board that had budget authorizations attached and the first one listed is for the Bond Building Renovations, but it reflects the revision of \$150,000 coming from Manchester AirPark rather than MDC and the second item is

510601 Park Improvement Project - Revision #1

and we would ask for a motion for both of those budget authorizations.

On motion of Alderman Clancy, duly seconded by Alderman Sysyn, it was voted to approve the CIP budget authorizations subject to final adoption of related Resolutions.

TABLED ITEMS

5. Resolution:

"Amending a Resolution 'Continuation of the Central Business Service District."

Alderman Wihby asked what are we waiting for on this item.

Mayor Baines replied it is my understanding that we need to act upon that.

Mr. MacKenzie stated the Board had been waiting to see the final assessment and they wanted to verify the rate before authorizing the bills to go out. I do have a copy of a letter from the Assessor's, I think I previously submitted it that tells what the assessment is and what the actual amount of the budget would be if the same rate of \$.79 per thousand was used. Would the Board like to see that letter. It's actually on the agenda.

Mayor Baines stated it's my understanding that we need to act on this tonight.

Mr. MacKenzie stated this is the authorization for the existing fiscal year and they are almost three-quarters of the way through the fiscal year, the Board did want to see the assessed valuation and what that would translate into.

Alderman Wihby moved to remove item 5 from the table for discussion.

Alderman Levasseur duly seconded the motion. There being none opposed, the motion carried.

Alderman Levasseur moved to reduce the amount to \$.59 per thousand. Seventy-nine cents was the original and now the district has been shrunk and Mr. Davis is leaving April 1st...they're not going to need the same amount of money.

Alderman Cashin asked, Bob, could you clarify.

Mr. MacKenzie stated I know that Alderman Levasseur did have some questions of me recently about what was being expended. We did go into detail with Intown Manchester...we do have to remember that they have been in operation for almost three-quarters of a year, so we did try to verify what the bare minimum was to actually fund them for this current fiscal year and in order to get through what has already been charged to the City and a bare minimum for the balance of a year you could go to \$.77 per thousand, but below that you would not be able to expend what was already...

Mayor Baines interjected the Mayor would like to recommend that you keep it at the seventy-nine and move it and get this moving.

Alderman Pariseau moved to the Mayor's recommendation. Alderman Lopez duly seconded the motion.

Alderman Wihby asked when we have the new valuation numbers how does this pay into this...does that automatically change or does it come back to us or because of the increased assessments we're going to have more money.

Mr. MacKenzie replied that would be for the next fiscal year.

Alderman Wihby asked how does it play in, are we going to have to look at it again.

Mr. MacKenzie replied there will have to be a new rate set based upon the new valuation.

Deputy Clerk Johnson wished to clarify that the motion on the floor was that the Resolution ought to pass and be enrolled.

Alderman Wihby moved to amend the Resolution for this year's budget rather than to keep on going.

Mayor Baines asked would that create a problem, Mr. MacKenzie.

Mr. MacKenzie stated I did not understand the question.

Alderman Wihby stated it would be \$.79 for this year.

Mr. MacKenzie stated it is for this year and in the relative near future you will be looking at next year's...within the next couple of month's you will be looking at next year's CBSD's rate.

Alderman Wihby stated we vote on this every year, okay.

Alderman Levasseur stated we've got March 29th which is only a week-and-a-half away...they're voting to dissolve themselves...well, they're taking the vote to dissolve themselves...

Mayor Baines stated we do not believe that is going to happen.

Alderman Levasseur interjected that's your information and I have different information and we have \$15,000 worth of salary that's not going to be used up by Mr. Davis, so I don't see how you can arbitrarily just throw a number out...my taxpayers...the people that pay that tax down there should be given a break if there is going to be a break in the amount of money they are going to be using, so I think you're saying that we should probably wait another week until we figure out what they're going to do.

Alderman Vaillancourt asked how can you not concur. The man whose name is on the document, Mr. MacKenzie, says that seventy-nine cents is excessive and we only need seventy-seven cents...how can you justify charging more and moved to table item 5.

Mayor Baines stated I am not accepting a motion to table at this time.

Alderman Vaillancourt stated I believe a motion to table is always in order.

Mayor Baines asked, Mr. MacKenzie, will you clarify...did you use the word "excessive", I didn't hear that word.

Mr. MacKenzie replied no, the budgeted amount of \$.79 per thousand is still a reasonable rate, we looked at what the bare bones is...if they were going to cut back for the balance of the year down to a bare minimum and it's not unusual to have a slight amount of slack...so far, they've been extremely tight this year...\$.79 is not an excessive rate.

Alderman Cashin stated I'm going along with Bob MacKenzie...\$.79 I think is fair, I think is equitable, that is what they're asking for and that's what we've got to do and assuming that they do dissolve or whatever this money is coming back to the City anyway. What's the problem here.

Mayor Baines stated the motion on the floor is for seventy-nine cents (\$.79) and called for a vote on the motion. The motion carried with Aldermen Levasseur, Shea and Vaillancourt duly recorded in opposition.

6. Report of the Committee on Accounts, Enrollment and Revenue Administration advising that it has accepted the attached open invoice report for School invoices and is submitting same to the Board for informational purposes.
(Tabled 01/02/01 - Note: left on table to allow verbal updates from Finance Officer, as desired.)

Mayor Baines asked is there any further information...should we take it off the table.

Alderman Hirschmann stated it was pending because they were working with your office, your Honor, on open invoices.

Mr. Sherman stated you can receive and file that one. The next Committee on Accounts meeting will get an updated report and then they can forward that back to the Board.

Alderman Hirschmann stated that is not why we tabled it here. We tabled it in Finance so the full Board could hear the story.

Mr. Sherman stated I'm not sure what story you're talking about, Alderman.

Alderman Hirschmann replied the story about why the open invoices weren't paid. The full Board wanted the pleasure of hearing that because many of these invoices had been open for 90 days plus.

Mr. Sherman stated at this point we're down to (as the Mayor knows) about half-a-dozen for last year...there's been on-going discussions between the Mayor's Office, the Finance Department, and the School Department. I think today we did make some progress...we had a meeting today and...

Mayor Baines stated we are very close (we feel) to resolving this matter and getting all of these invoices and all the other issues taken care of...so, I would recommend that you leave it on the table.

Alderman Hirschmann stated I would also recommend that it stay on the table, but I would like the Finance Officer making some progress to write us a letter, write a report, tell us what's going on.

Mayor Baines stated a point well-taken. Could you take care of that, Randy.

Alderman Wihby stated I have some questions that I'd like answered, so I don't know if you want to take it off the table so I can ask the questions or can I just ask Randy.

Mayor Baines replied I would just allow you to ask the questions.

Alderman Wihby stated when we talk about open invoices are we talking chargebacks in that.

Mr. Sherman replied yes.

Alderman Wihby stated we only have half-a-dozen problems left.

Mr. Sherman replied yes for 2000.

Alderman Wihby stated we had a discussion the other day at a meeting we had that some of these chargebacks weren't appropriate and that, in fact, were all inflated and there wasn't going to be a deficit in the School Department, do you have any information that justifies any of those comments.

Mr. Sherman replied my understanding is that the reason that the majority of them are being debated is because they are of an administrative nature and the School Superintendent doesn't believe that they should pay for responsibilities that he feels are statutory responsibilities such as for the Mayor's Office or City Clerk or Tax Collector. The largest item out there is the million dollars for CIP Cash to appropriate a last year for painting and again the Superintendent doesn't feel that that was part of the chargebacks...

Alderman Wihby stated of the open invoices...I guess we don't have an audit yet because we have open invoices is that what basically some of the problem is.

Mr. Sherman replied the School District's auditor can not issue his audit report until there is some agreement between the School District and the City. We can't issue an audit report that has two different numbers in it on open invoices.

Alderman Wihby asked do you know how far apart we are on that.

Mr. Sherman replied the total on open invoices is about \$1.4 million, but \$1 million again is that one CIP item.

Alderman Wihby stated we were told sometime back when, I don't know what it was...there was a \$4 million deficit, whatever the number was \$3.3 or \$4 million or something...now, we're saying that out of that deficit there is \$1.4 million in question.

Mr. Sherman replied there is \$1.4 million of receivables in question that needs to be resolved in order for the auditor to issue his report. And, depending on how that \$1.4 million goes the auditor comes up with a different answer as far as surpluses and deficits.

Alderman Wihby asked what was the number before we heard a long time ago as far as the deficit number.

Mr. Sherman replied there's different types of deficits. As far as actually over expending on their appropriation, I believe the number was somewhere in the vicinity of \$3.2 /\$3.3 million.

Alderman Wihby stated so out of that \$3.2, let's say, they overspent we're talking about included in that \$3.2 is \$1.4 million that there's an argument over.

Mr. Sherman stated that is correct.

Alderman Wihby stated so the best case scenario is going to be \$1.8 million overage/overspent.

Mr. Sherman replied yes as far as to the budget.

Alderman Wihby stated it could be up to the \$3.2 million.

Mr. Sherman replied that is correct.

Alderman Wihby stated the million of it...is what was that reason.

Mr. Sherman replied it's the CIP million.

Mayor Baines stated it's the million dollars that the previous Mayor set aside...again, people need to remember that we're talking about the 1999-2000 budget, it was money that was set aside for "painting" schools. Let me just clarify where we're at with this because as Randy knows this has been all consuming for most of us over the past several days. I am meeting with the School District auditor later this week. I've called a special meeting of the Board of School Committee for Monday to hear the audit report, we hope, from the School District auditor at which time we'll know how we're going to proceed...this is a very critical issue for us right now because my budget is due next Thursday...everyone is aware of the urgency of the matter...we did meet today with Scott Bassett our external auditor...we've had a number of conversations and hopefully this matter can be put to rest once and for all Monday evening. So, that's our hope and our desire.

Alderman Wihby stated I just want to know what the million dollars was, what is the argument over.

Mayor Baines replied the million dollars is the appropriation, once again, of the million dollars that was set aside for painting.

Alderman Cashin stated if I remember correctly and I might be wrong...it was for painting some of the areas in the schools. I think West High auditorium was one of the areas that was painted and I really don't think that should be a chargeback, honestly, I just don't understand that.

Alderman Wihby stated I guess I don't understand why it wouldn't be. What is the argument that it shouldn't be. The money was used for schools.

Mayor Baines stated the argument that it should be is that it was used for schools, there was a service provided by Public Buildings Services. The argument against it is that it was a separate appropriation above and beyond the School District budget...so, these are the two arguments. Now, listen, we've had auditors going back and forth on this, we've have the Superintendent, finance people...hopefully, the auditor will come down with an audit that states it one way or the other and then we can move forward.

Alderman Wihby stated, your Honor, your statement that it was above and beyond the budget...

Mayor Baines interjected that's the argument.

Alderman Wihby stated so, we don't know if it was or not.

Alderman Cashin stated it was above the budget.

Alderman Wihby stated so, we gave them their budget and then in CIP we had a million dollars for painting.

Mr. Sherman stated we've gone back through the FY2000 budget documents that we have and from the trail that we've put together you can clearly see that that million dollars was included in the School Department's budget. There was one point where it obviously had to be put in CIP...it's part of your CIP resolution, but before the court ruling came out you actually showed the adequacy grant offsetting that million dollars in CIP and then when we moved the million dollars up to the School District budget because they were getting a separate appropriation the million dollars was included in their numbers.

Alderman Lopez stated I think the problem here is that so many numbers are being thrown around and until you finalize an agreement with the School and Randy can put it in writing so that we can see the numbers and see what he's talking about and make a good common sense decision as to what...I agree with Alderman Cashin, but we have to see it all when you finally make the thing...we can talk here all night and that's the reason why we didn't even take it off the table and we're talking about it.

Mayor Baines stated understand we've had the auditors together, they're going to be together again and then hopefully we'll have a resolution of this.

Alderman Shea asked was it a department or was it a district when the million dollars was given.

Mr. Sherman replied when the Aldermen adopted the appropriation it was a district.

Alderman Wihby stated I know people are kind of upset and want to wait for this audit, but this is the first that we've talked about this. We don't know what's going on with this million dollars. Maybe this Board would have said forget it and keep on going, but we've never been privy to any of this information...it was in one budget and not in the other budget or anything else...it's nice to say let's have the auditors and Finance and School fight over it, but the Aldermen haven't even been talking about it and it should have come to this Board and this Board could have said one way or the other what was anticipated or what we predicted in the budget.

Mr. Sherman stated until you get an audit report from the School District...the financial statements are the responsibility of management over there...until you get that audit report you don't know how they've treated that. Now, we've seen a draft audit report, we've sat, we've met with their auditors...obviously, not being reimbursed \$1.4 million has an impact on the City's financial statements...we've sat down, we've talked about these issues, but you need the auditor to present his report to the School Board, you need the School Board to take an action. At that point, that thing comes back to the Aldermen and the Aldermen can decide how they want to resolve the issues if they haven't been resolved.

Alderman Wihby stated it feels like we're working backwards, your Honor.

Mayor Baines stated that is the way the audit process seems to work.

Alderman Gatsas asked, Randy, was that when Mr. O'Shea was the Business Manager at the district or the department.

Mr. Sherman replied yes, I believe so.

Alderman Gatsas stated I think if my memory serves me correct that watching those meetings with the School Board members, I believe that there was conversation on Mr. O'Shea having moved that line item twice incorrectly if I remember those proceedings. So, I think MCTV could be a very big ally in watching that because that's where I remember seeing that.

Alderman Clancy asked where was the million dollars spent.

Mayor Baines replied on schools.

Alderman Clancy asked which schools, your Honor.

Mayor Baines stated we can get a detailed account.

Alderman Clancy stated I know that the West High School auditorium was painted, but other than that which ones were painted.

Mr. MacKenzie replied I don't remember all the details, but for years there were a lot of facilities within the schools that could not be fixed because you could not bond them and on the other hand there wasn't enough money for preventative maintenance, so there are item, for example, fixing all of the bleachers in the three

high schools, painting all of the auditoriums, bringing the facilities up to fire safety code, fixing a lot of the boilers that had not been done in years and years. So, roughly 30 percent of it was for painting but there was a lot of other code issues that had to be taken care of.

This item remained on the table.

There being no further business to come before the Committee, on motion of Alderman Pinard, duly seconded by Alderman Clancy, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee